ASCE Group OJSC

Consolidated Financial Statements for 2021

Contents

KPMG Armenia LLC
8th floor, Erebuni Plaza Business Center
26/1 Vazgen Sargsyan Street
Yerevan 0010, Armenia
Telephone + 374 (10) 595 999
Internet www.kpmg.am

Independent Auditors' Report

To the Board of Directors of ASCE Group OJSC

Qualified Opinion

We have audited the consolidated financial statements of ASCE Group OJSC (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects on the corresponding figures for the year ended 31 December 2020 of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

We did not observe the counting of inventories with a carrying amount of AMD 4,319,780 as at 31 December 2019 because we were appointed as auditors of the Group only after that date. We were unable to satisfy ourselves as to those inventory quantities by alternative means. As a result, we were unable to determine whether adjustments might have been found necessary in respect of the elements making up the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2020. Our opinion on the consolidated financial statements as at and for the year ended 31 December 2020 dated 15 May 2021 was modified accordingly. Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Please refer to the Note 5 and Note 25(a) in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Revenue from sales of goods and services for the year ended 31 December 2021 amount to AMD 33,560,326 thousand. Recognition of revenue is a key audit matter due to: – the high volume of transactions; – significant increase in revenue in 2021 as compared to 2020; and – the judgement in respect of the moment of transfer of control over the goods to customers.	Our audit procedures to assess the recognition of revenue included the following: – Evaluating the design and implementation of key internal controls over revenue recognition. – Analyzing the policy of recognizing revenue from sales of products of the Group to determine whether it appropriately reflects the requirements of IFRS 15 *"Revenue from contracts with customers"* on recognition of revenue from satisfying performance obligation in the proper period. – Inspecting sale agreements, on a sample basis, to understand the terms of delivery and assess whether the revenue was recognized in accordance with the requirements of IFRS 15 on recognition of revenue from satisfying performance obligation in the proper period. – Comparing, on a sample basis, specific revenue transactions recorded during the year with underlying primary documents. – Obtaining confirmations, on a sample basis, from customers of the Group, of turnovers during the year and balances as at 31 December 2021, and, for not obtained confirmations, performing alternative procedures by comparing details of the transactions with underlying primary documents. – Comparing, on a sample basis, specific revenue transactions recorded near the year-end with underlying primary documents to determine whether the revenue was recognized properly in the appropriate period. We also considered the appropriateness of the Group's disclosures in the Notes 5 and 25(a).

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Tigran Gapsaryan
Managing Partner, Director of KPMG Armenia LLC

KPMG Armenia LLC

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KPMG Armenia LLC
25 April 2022

Consolidated Statement of Financial Position as at 31 December 2021

’000 AMD	**Note**	**31 December 2021**	**31 December 2020**
Assets			
Property, plant and equipment	11	29,393,981	28,508,420
Investment property	12	1,117,043	-
Prepayments for non-current assets		112,868	-
Other assets		6,282	68
Non-current assets		**30,630,174**	**28,508,488**
Inventories	13	7,042,321	5,504,640
Trade and other receivables	14	3,439,089	1,573,696
Cash and cash equivalents	15	1,143,052	73,216
Current assets		**11,624,462**	**7,151,552**
Total assets		**42,254,636**	**35,660,040**
Equity	16		
Share capital		9,438,576	1,179,822
Retained earnings		13,010,280	8,763,117
Total equity		**22,448,856**	**9,942,939**
Liabilities			
Loans and borrowings	18	-	105,263
Deferred tax liabilities	10	3,446,647	3,073,245
Bonds issued	20	13,471,555	-
Non-current liabilities		**16,918,202**	**3,178,508**
Loans and borrowings	18	105,500	20,103,621
Trade and other payables	19	807,460	2,110,787
Bonds issued	20	91,907	-
Current tax liability		1,882,711	324,185
Current liabilities		**2,887,578**	**22,538,593**
Total liabilities		**19,805,780**	**25,717,101**
Total equity and liabilities		**42,254,636**	**35,660,040**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 45.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2021

'000 AMD	Note	2021	2020
Revenue	5	33,560,326	13,819,493
Cost of sales	6	(16,774,399)	(8,712,375)
Gross profit		**16,785,927**	**5,107,118**
Other income		24,171	34,646
Distribution expenses		(174,718)	(61,210)
Administrative expenses	7	(447,749)	(280,602)
Other expenses	8	(226,811)	(154,416)
Results from operating activities		**15,960,820**	**4,645,536**
Finance income	9	973,290	4,157
Finance costs	9	(1,780,021)	(2,143,471)
Net finance costs		**(806,731)**	**(2,139,314)**
Profit before income tax		**15,154,089**	**2,506,222**
Income tax expense	10	(2,648,172)	(827,206)
Profit and total comprehensive income for the year		**12,505,917**	**1,679,016**

These consolidated financial statements were approved by management on 25 April 2022 and were signed on its behalf by:

Khachatur Antonyan
Director

Karine Mamikonyan
Chief Accountant

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 45.

Consolidated Statement of Changes in Equity for 2021

’000 AMD	**Share capital**	**Retained earnings**	**Total**
Balance at 1 January 2020	1,179,822	7,084,101	8,263,923
Total comprehensive income			
Profit for the year	-	1,679,016	1,679,016
Total comprehensive income for the year	**-**	**1,679,016**	**1,679,016**
Balance at 31 December 2020	**1,179,822**	**8,763,117**	**9,942,939**
Balance at 1 January 2021	1,179,822	8,763,117	9,942,939
Total comprehensive income			
Profit for the year	-	12,505,917	12,505,917
Total comprehensive income for the year	**-**	**12,505,917**	**12,505,917**
Transactions with owners of the Company			
Trasfer of retained earnings to share capital (Note 16)	8,258,754	(8,258,754)	-
Total transactions with owners of the Company	**8,258,754**	**(8,258,754)**	**-**
Balance at 31 December 2021	**9,438,576**	**13,010,280**	**22,448,856**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statement set out on pages 11 to 45.

Consolidated Statement of Cash Flows for 2021

'000 AMD	**2021**	**2020**
Cash flows from operating activities		
Cash receipts from customers	37,416,014	13,788,319
Cash paid to employees	(1,317,683)	(814,066)
Cash paid to suppliers	(18,541,442)	(7,795,496)
Taxes other than on income	(4,961,190)	(2,103,746)
Other payments	(58,020)	(20,035)
Cash flows from operations before income taxes and interest paid	**12,537,679**	**3,054,976**
Interest paid	(4,928,923)	(334,720)
Income tax	(716,244)	(303,432)
Net cash from operating activities	**6,892,512**	**2,416,824**
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,415,025)	(812,677)
Acquisition of investment property	(1,117,043)	-
Proceeds from sale of non-current assets	44,939	86,153
Net cash used in investing activities	**(3,487,129)**	**(726,524)**
Cash flows from financing activities		
Proceeds from loans and borrowings	540,109	1,314,237
Repayment of loans and borrowings	(16,033,342)	(3,087,776)
Purchase of bonds issued	(8,738,383)	-
Proceeds from bonds issued	22,779,150	-
Net cash used in financing activities	**(1,452,466)**	**(1,773,539)**
Net increase/(decrease) in cash and cash equivalents	**1,952,917**	**(83,239)**
Cash and cash equivalents at 1 January	73,216	154,692
Effect of exchange rate fluctuations on cash and cash equivalents	(883,081)	1,763
Cash and cash equivalents at 31 December	**1,143,052**	**73,216**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 45.

Notes to the Consolidated Financial Statements for 2021

1. Reporting entity

(a) Organisation and operations

These consolidated financial statements have been prepared for the year ended 31 December 2021 for ASCE Group OJSC (the "Company") and its subsidiary (together referred to as the "Group").

ASCE Group OJSC (the "Company") is an open joint stock company incorporated in the Republic of Armenia. The Company was established as a result of privatization of Haydzul CJSC (previously "Autodzul" state enterprise) as an open joint stock company on 4 September 1998.

The Company's registered office is 2 Yerevanyan Street, Charentsavan, Kotayk region, Republic of Armenia.

As at 31 December 2021, and 31 December 2020, the following shareholders directly owned more than 3% of the total outstanding shares of the Company:

% of ownership interest as at 31 December	2021	2020
Moraco Holding Limited	49.35%	49.35%
Mr. Mikhail Harutyunyan	-	49.35%
Mr. Gevorg Harutyunyan	16.53%	-
Mr. Tigran Harutyunyan	16.53%	-
Mr. Vahan Harutyunyan	16.53%	-

Other shareholders individually owned less than 3% of the outstanding shares.

As at 31 December 2020, the Company was ultimately controlled by a single individual, Mr. Mikhail Harutyunyan, who had the power to direct the transactions of the Company at his own discretion and for his own benefit. He also had a number of other business interests outside the Company. As at 31 December 2021 and 2020 Moraco Holding Limited is controlled by Mr. Mikhail Harutyunyan. The Group has no party with ultimate control as at 31 December 2021.

Related party transactions are disclosed in note 23.

The Groups's principal activity is production and distribution of steel rebars and balls at plant located in Charentsavan. The Group's products are sold in the Republic of Armenia and abroad.

Consolidated subsidiary is presented in the table below:

Subsidiary	Country of incorporation	2021 Ownership/voting
ASCE Trade LLC	Republic of Armenia	100%

Principal activities of the subsidiary is trading with ASCE Group OJSC issued debt securities.

(b) Business environment

The Group's operations are primarily located in Armenia. Consequently, the Group is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia. Additionally, the breakout of armed conflict in Nagorno-Karabakh in September 2020 followed by cease-fire arrangement over disputed Nagorno-Karabakh territories and the Covid-19 coronavirus pandemic has further increased uncertainty in the business environment.

The consolidated financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. Basis of accounting

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram ("AMD"), which is the Group's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in AMD has been rounded to the nearest thousand, except when otherwise indicated.

4. Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in Note 25(g)(iii) – useful lives of property, plant and equipment.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. Revenue

(a) Revenue streams

The Group generates revenue primarily from the sale of steel rebars and balls.

’000 AMD	**2021**	**2020**
Sales of goods	33,512,709	13,800,159
Revenue from services provided	47,617	19,334
Total revenue from contracts with customers	**33,560,326**	**13,819,493**

(b) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition for the year ended 31 December 2021.

’000 AMD	**Mining companies**	**Construction companies**	**Companies from other industries**	**Total**
Primary geographical markets				
Republic of Armenia	5,635,642	23,224,350	316,002	29,175,994
Export to Georgia	-	-	4,384,332	4,384,332
	5,635,642	**23,224,350**	**4,700,334**	**33,560,326**
Major products				
Steel rebars	-	23,183,088	5,839	23,188,927
Steel balls	5,635,642	-	252,702	5,888,344
Steel billets	-	-	4,436,573	4,436,573
Transportation services	-	41,262	5,221	46,483
	5,635,642	**23,224,350**	**4,700,335**	**33,560,327**
Timing of revenue recognition				
Products transferred at a point in time	5,635,642	23,183,088	4,695,114	33,513,844
Services transferred over time	-	41,262	5,220	46,482
Revenue from contracts with customers	**5,635,642**	**23,224,350**	**4,700,334**	**33,560,326**

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition for the year ended 31 December 2020.

'000 AMD	**Mining companies**	**Construction companies**	**Companies from other industries**	**Total**
Primary geographical markets				
Republic of Armenia	3,200,939	8,667,618	797,913	12,666,470
Export to Georgia	-	-	1,153,023	1,153,023
	3,200,939	**8,667,618**	**1,950,936**	**13,819,493**
Major products				
Steel rebars	-	8,653,018	1,161	8,654,179
Steel balls	3,200,939	14,600	796,752	4,012,291
Steel billets	-	-	1,133,689	1,133,689
Transportation services	-	-	19,334	19,334
	3,200,939	**8,667,618**	**1,950,936**	**13,819,493**
Timing of revenue recognition				
Products transferred at a point in time	3,200,939	8,667,618	1,931,602	13,800,159
Services transferred over time	-	-	19,334	19,334
Revenue from contracts with customers	**3,200,939**	**8,667,618**	**1,950,936**	**13,819,493**

(c) Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

'000 AMD	**Note**	**31 December 2021**	**31 December 2020**
Receivables, which are included in 'trade and other receivables'	14	2,914,033	1,311,015
Contract liabilities	19	12,656	436,051

The contract liabilities relate to the advance consideration received from customers.

The amount of AMD 436,051 thousand recognised in contract liabilities at 31 December 2020 has been recognised as revenue for the period ended 31 December 2021.

No information is provided about remaining performance obligations at 31 December 2021 or at 31 December 2020 that have an original expected duration of one year or less, as allowed by IFRS 15.

(d) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale of steel rebars, balls and billets	Customers obtain control of the goods when the goods are delivered to the specified point or dispatched from the Company's warehouse according to sales contracts. Invoices are generated at that point in time. Invoices are usually payable within two months period. No discounts, loyalty points or returns are offered for the goods.	Revenue is recognised when the goods are delivered at or dispatched from the specified place by the contract.
Rendering of transportation services	The Company also performs transportation services for goods sold to the customers. Invoices are usually payable within two months period.	Revenue is recognised over the time as the service is performed.

6. Cost of sales

'000 AMD	**2021**	**2020**
Materials	9,786,578	4,627,756
Utilities	3,687,864	1,993,936
Wages and salaries	1,740,818	812,815
Depreciation	1,465,055	1,244,818
Other	94,084	33,050
	16,774,399	**8,712,375**

Expenses by nature

’000 AMD	Note	2021	2020
Changes in inventories of finished goods and work in progress	13	1,492,378	(230,276)
Materials	6	8,923,607	4,749,223
Utilities	6,7	3,397,837	2,060,900
Wages and salaries	6,7	1,810,571	997,048
Depreciation	6,7,8,11	1,350,856	1,380,154
Professional services	7	73,036	31,063
Insurance and bank charges	7	69,154	12,813
Taxes, other than on income	7	15,479	17,432
Write-off of prepayments given	8	3,717	8,379
Security	7	6,480	6,480
Other expenses	6,7,8	198,114	114,177
		17,341,299	**9,147,393**

7. Administrative expenses

’000 AMD	2021	2020
Wages and salaries*	223,520	142,020
Professional services	73,036	31,063
Insurance and bank charges	69,154	12,813
Office and utility expenses	35,166	16,354
Taxes, other than on income	15,479	17,432
Depreciation	14,796	10,549
Security	6,480	6,480
Other	10,118	43,891
	447,749	**280,602**

* Total employee benefits for 2021 amounted to AMD 1,802,995 thousand (2020: AMD 1,084,055 thousand).

8. Other expenses

’000 AMD	2021	2020
Write-off of inventories	71,624	-
Fines and penalties	4,158	10,232
Write-off of prepayments given	3,717	8,379
Depreciation from idle time	191	93,063
Other	38,788	42,742
	118,478	**154,416**

9. Net finance costs

’000 AMD	2021	2020
Interest income under the effective interest method on cash and cash equivalents	21,599	4,157
Net foreign exchange gain	951,691	-
Finance income	**973,290**	**4,157**
Net foreign exchange loss	-	(1,350,761)
Financial liabilities measured at amortized cost – interest expense	(1,780,021)	(783,815)
Unwind of discount on long-term payables	-	(8,895)
Finance costs	**(1,780,021)**	**(2,143,471)**
Net finance costs recognized in profit or loss	**(806,731)**	**(2,139,314)**

10. Income taxes

(a) Amounts recognised in profit or loss

The Group’s applicable tax rate is the income tax rate of 18% (2020: 18%) for Armenian companies.

’000 AMD	2021	2020
Current tax expense		
Current year	2,216,956	491,879
Underprovided in prior years	57,814	-
	2,274,770	**491,879**
Deferred tax expense		
Origination and reversal of temporary differences	373,402	335,327
Total tax expense	**2,648,172**	**827,206**

Reconciliation of effective tax rate:

	2021		2020	
	'000 AMD	**%**	**'000 AMD**	**%**
Profit before tax	15,154,089	100%	2,506,222	100%
Income tax at applicable tax rate	2,727,736	18%	451,120	18%
Underprovided in prior years	57,814	0.4%	-	-
(Non taxable income)/non-deductible expenses	(137,378)	(1)%	376,086	15%
	2,648,172	**17%**	**827,206**	**33%**

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
'000 AMD	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Property, plant and equipment	-	-	3,506,282	3,092,133	3,506,282	3,092,133
Inventories	-	-	20,738	39,862	20,738	39,862
Trade and other receivables	(80,373)	(52,384)	-	-	(80,373)	(52,384)
Trade and other payables	-	(6,366)	-	-	-	(6,366)
Loans and borrowings	-	-	-	-	-	-
Net tax (assets)/liabilities	**(80,373)**	**(58,750)**	**3,527,020**	**3,131,995**	**3,446,647**	**3,073,245**

	Assets		Liabilities		Net	
'000 AMD	**31 December 2020**	**1 January 2020**	**31 December 2020**	**1 January 2020**	**31 December 2020**	**1 January 2020**
Property, plant and equipment	-	-	3,092,133	2,804,963	3,092,133	2,804,963
Inventories	-	(27,087)	39,862	-	39,862	(27,087)
Trade and other receivables	(52,384)	(22,148)	-	-	(52,384)	(22,148)
Trade and other payables	(6,366)	(22,640)	-	-	(6,366)	(22,640)
Loans and borrowings	-	-	-	4,830	-	4,830
Net tax (assets)/liabilities	**(58,750)**	**(71,875)**	**3,131,995**	**2,809,793**	**3,073,245**	**2,737,918**

(c) Movement in deferred tax balances

All movements in deferred tax balances are recognized in profit or loss.

11. Property, plant and equipment

'000 AMD	Land, buildings and structures	Machinery and equipment	Transport vehicles	Other	Construction in progress	Total
Cost						
Balance at 1 January 2020	10,513,397	19,571,662	163,826	126,431	128,168	30,503,484
Additions	34,486	449,675	48,227	25,441	254,848	812,677
Transfers	(2)	151,583	4	(80,336)	(71,249)	-
Disposals	-	(527)	(85,000)	(626)	-	(86,153)
Balance at 31 December 2020	**10,547,881**	**20,172,393**	**127,057**	**70,910**	**311,767**	**31,230,008**
Balance at 1 January 2021	10,547,881	20,172,393	127,057	70,910	311,767	31,230,008
Additions	64,772	557,115	1,267,782	72,262	340,226	2,302,157
Transfers	-	331,391	-	(3,342)	(328,049)	-
Disposals	-	(58,922)	(24,926)	(5,810)	-	(89,658)
Balance at 31 December 2021	**10,612,653**	**21,001,977**	**1,369,913**	**134,020**	**323,944**	**33,442,507**
Depreciation						
Balance at 1 January 2020	(286,550)	(1,054,573)	(3,676)	(4,912)	-	(1,349,711)
Trasfers	-	4,946	(4,946)	-	-	-
Depreciation for the year	(289,989)	(1,077,043)	(7,817)	(5,304)	-	(1,380,153)
Disposals	-	527	7,515	234	-	8,276
Balance at 31 December 2020	**(576,539)**	**(2,126,143)**	**(8,924)**	**(9,982)**	**-**	**(2,721,588)**
Balance at 1 January 2021	(576,540)	(2,126,143)	(8,925)	(9,981)	-	(2,721,589)
Transfers	-	(21)	-	21	-	-
Depreciation for the year	(290,893)	(1,014,873)	(34,301)	(7,156)	-	(1,347,223)
Disposals	-	19,907	90	289	-	20,286
Balance at 31 December 2021	**(867,433)**	**(3,121,130)**	**(43,136)**	**(16,827)**	**-**	**(4,048,526)**
Carrying amounts						
At 1 January 2020	10,226,847	18,517,089	160,151	121,519	128,168	29,153,774
At 31 December 2020	9,971,342	18,046,250	118,133	60,928	311,767	28,508,420
At 31 December 2021	**9,745,220**	**17,880,847**	**1,326,777**	**117,193**	**323,944**	**29,393,981**

Depreciation expense of AMD 1,332,236 thousand (2020: AMD 1,276,541 thousand) has been charged to cost of sales, AMD 14,796 thousand (2020: AMD 10,549 thousand) to administrative expenses and AMD 191 thousand (2020: AMD 93,063 thousand) to other expenses.

Security

At 31 December 2021 property, plant and equipment of AMD 26,213,660 (31 December 2020: AMD 27,021,905 thousand) are pledged as security to secure bank loan (see Note 18(a)).

12. Investment property

(a) Reconciliation of carrying amount

’000 AMD	**2021**
Balance at 1 January	-
Acquisitions	1,117,043
Balance at 31 December	**1,117,043**

Investment property acquired on 2 December 2021 comprises primarily commercial properties held with the aim of capital appreciation and earnings rentals or both and properties with undetermined future use.

Investment properties are leased to related party for indefinite period.

The fair value of investment property purchased approximates its carrying amount.

(b) Measurement of fair value

(i) Fair value hierarchy

Management has not involved external valuator for investment property valuation as of 31 December 2021. Per management’s assessment the fair value of investment property as of the reporting date approximates its carrying value.

The following valuation technique was used in measuring the fair value of investment property, as well as the significant unobservable inputs:

- The market comparable approach. Under the market comparable approach, a property’s fair value is estimated based on comparable transactions. Key assumptions relate to the condition, quality and location of buildings used as comparatives. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property.

  Significant unobservable inputs of the approach applied on 31 December 2021.

  - Location – from -20% to +20%
  - Size - from -30% to +25%
  - Interior/exterior condition and renovation- AMD 70 - 100 thousand per sq.m.

13. Inventories

’000 AMD	**31 December 2021**	**31 December 2020**
Raw materials	5,524,444	2,340,189
Work in progress	726,656	1,913,752
Finished goods	340,694	645,976
Spare parts	255,796	373,336
Raw materials in transit	115,208	170,448
Fuel and consumables	72,629	47,071
Other	6,894	13,868
	7,042,321	**5,504,640**

In 2021 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to AMD 9,786,578 thousand (2020: AMD 4,627,756 thousand).

14. Trade and other receivables

’000 AMD	**31 December 2021**	**31 December 2020**
Trade receivables	2,914,033	1,311,015
Other receivables	27,568	17,833
Impairment allowance for trade receivables	(17,753)	(9,608)
Trade and other receivables included in loans and receivables category	**2,923,848**	**1,319,240**
Taxes receivable	29,879	48,526
Prepayments given	485,362	205,930
Total trade and other receivables	**3,439,089**	**1,573,696**

The Group’s exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 21.

15. Cash and cash equivalents

’000 AMD	**31 December 2021**	**31 December 2020**
Petty cash	15,987	4,698
Bank balances	1,127,066	68,518
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	**1,143,052**	**73,216**

The Groups’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 21.

16. Capital and reserves

(a) Share capital

The authorised, issued and fully paid share capital as at 31 December 2021 comprises of 62,923,840 ordinary shares at par value of AMD 150 (31 December 2020: 7,865,480 shares at par value of AMD 150).

All ordinary shares rank equally with regard to the Group's residual assets.

At 31 December 2021 98.7% of shares are pledged to secure bank loan (31 December 2020: 98.7%). (see Note 18(a)).

Number of shares unless otherwise stated	**Ordinary shares**	
	2021	**2020**
In issue at 1 January	7,865,480	7,865,480
Issued and fully paid (by transfer from retained earnings)	55,058,360	-
In issue at 31 December, fully paid	**62,923,840**	**7,865,480**
Authorised shares - par value. kAMD	9,438,576	1,179,822

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

(b) Dividends

In accordance with Armenian legislation the Group's distributable reserves are determined based on the Group's statutory consolidated financial statements prepared in accordance with International Financial Reporting Standards. During 2021 and 2020 no dividends were declared or paid.

17. Capital management

The Group has no formal policy for capital management, but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of the Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows, as well as loans and borrowings. With these measures the Group aims for steady profits growth.

There were no changes in the Group's approach to capital management during the years ended 31 December 2021 and 2020.

The Group is not subject to externally imposed capital requirements.

18. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 21.

'000 AMD	**31 December 2021**	**31 December 2020**
Non-current liabilities		
Secured bank loans	105,500	105,263
	105,500	**105,263**
Current liabilities		
Secured bank loans	-	4,375,676
Unsecured borrowings from shareholders	-	4,724,526
Unsecured borrowings from other related parties	-	11,003,419
	-	**20,103,621**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2021		**31 December 2020**	
'000 AMD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loan	USD	6.0%	2021	-	-	3,807,106	3,807,106
Secured bank loan	USD	6.50%	2022	-	-	423,298	423,298
Secured bank loan	AMD	11.0%	2022	105,500	105,500	250,535	250,535
Unsecured borrowings from shareholders	AMD	0.0%	On demand	-	-	2,738,938	2,738,938
Unsecured borrowings from shareholders	USD	0.0%	On demand	-	-	1,812,342	1,812,342
Unsecured borrowings from shareholders	EUR	3.35%	On demand	-	-	173,246	173,246
Unsecured borrowings from other related parties	USD	7.0%	2021	-	-	9,737,817	9,737,817
Unsecured borrowings from other related parties	USD	0.0%	On demand	-	-	1,140,586	1,140,586
Unsecured borrowings from other related parties	EUR	0.0%	On demand	-	-	125,016	125,016
Total interest-bearing liabilities				**105,500**	**105,500**	**20,208,884**	**20,208,884**

Bank loans are secured by the following:

- At 31 December 2021 property, plant and equipment with a carrying amount of AMD 26,213,660 thousand (31 December 2020: AMD 27,021,905 thousand) are pledged as security to secure bank loan (see Note 11).
  As at 31 December 2021 and 2020 98.7% of the Group's shares, see (Note 16(a)).

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

'000 AMD	Liabilities	
	Loans and borrowings	
	2021	2020
Balance at 1 January	**20,208,884**	**19,992,330**
Changes from financing cash flows		
Proceeds from loans and borrowings	540,109	1,314,237
Repayment of loans and borrowings	(16,033,342)	(3,087,776)
Total changes from financing cash flows	**(15,493,233)**	**(1,773,539)**
The effect of changes in foreign exchange rates	**(1,335,927)**	**1,413,124**
Other changes		
Interest expense (operating cash flows)	495,304	783,815
Interest paid	(3,769,528)	(334,720)
Transfers from payables based on cession agreements	-	127,874
Total liability-related other changes	**(3,274,224)**	**576,969**
Balance at 31 December	**105,500**	**20,208,884**

19. Trade and other payables

'000 AMD	31 December 2021	31 December 2020
Trade payables	522,750	1,331,350
Salaries and wages	119,731	73,082
Total financial payables within current trade and other payables	**642,481**	**1,404,432**
Prepayments received from customers	12,656	436,051
Other taxes payable	88,695	234,942
Vacation reserve	63,628	35,362
Total trade and other payables	**807,460**	**2,110,787**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 21.

20. Bonds issued

’000 AMD	Currency	Nominal interest rate	Year of maturity	31 December 2021
Domestic bonds issued	AMD	12%	11.06.2031	13,304,156
Domestic bonds issued	USD	7%	11.06.2031	259,306
				13,563,462

On 11 June 2021, the Group has issued and placed debt securities denominated in AMD and USD with nominal amount of AMD 15,000 million and USD 15 million, respectively. Around 80% of debt securities denominated in AMD are held by shareholders and 30% of debt securities denominated in USD are held by related parties.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2021
Balance at 1 January	-
Changes from financing cash flows	
Proceeds from issue	22,779,150
Purchase of bonds issued	(8,738,383)
Total changes from financing cash flows	**14,040,767**
The effect of changes in foreign exchange rates	**(602,627)**
Other changes	
Interest expense	1,284,717
Interest paid	(1,159,395)
Balance at 31 December 2021	**13,563,462**

21. Fair values and risk management

(a) Accounting classifications and fair values

The estimated fair value of all the financial assets and liabilities approximates their carrying amounts mainly due to their short maturities.

(b) Measurement of fair values

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Loans and receivables	Discounted cash flows	Not applicable
Other financial liabilities*	Discounted cash flows	Not applicable

* Other financial liabilities include secured and unsecured bank loans, borrowings received and trade and other payables.

(c) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk (see Note 21(c)(ii));
- liquidity risk (see Note 21(c)(iii));
- market risk (see Note 21(c)(iv)).

(i) Risk management framework

Management has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The carrying amounts of financial assets represent the maximum credit exposure.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 5.

The Group does not have a special credit risk policy for its customers, however approximately 85% of Group's revenue is attributable to sales transactions with three largest customers one of which is a related party (2020: two customers one of which is a related party) and historically no losses have occurred with these customers and none of these customers' balances have been written off or are credit-impaired at the reporting dates.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of up to two months for customers.

The Group does not require collateral in respect of trade receivables.

As at 31 December 2021, the carrying amount of the Group's most significant 2 customer (a mining company with external rating from Moody's of B2 and international wholesale company which per management's estimate approximates to B3 rating under Moody's rating system based on the rating of international wholesale company's country of operations) was AMD 2,658,655 thousand (31 December 2020: AMD 1,266,525 thousand).

Expected credit loss assessment for customers

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies such as Moody's Investor Services.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2021.

31 December 2021 **'000 AMD**	**Weighted average loss rate**	**Gross carrying amount**	**Impairment loss allowance**	**Credit-impaired**
Trade receivables and contract assets				
Low risk	0.6%	2,914,033	(17,753)	No
Doubtful	0.0%	-	-	No
		2,914,033	**(17,753)**	

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for customers as at 31 December 2020.

31 December 2020 **'000 AMD**	**Weighted average loss rate**	**Gross carrying amount**	**Impairment loss allowance**	**Credit-impaired**
Trade receivables and contract assets				
Low risk	0.38%	1,266,525	(4,813)	No
Doubtful	10.78%	44,490	(4,795)	Yes
		1,311,015	**(9,608)**	

The Group defines low and doubtful risk as follows:

Low risk – the customer has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may not likely reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Doubtful risk – the customer for which full repayment is questionable and uncertain. The degree of repayment of amount in question ranges from a complete loss to an uncertain loss unless corrective actions are taken. Doubtful customers are usually nonperforming customers for which the full collection of balance is in threat.

Movements in the allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

'000 AMD	**2021**	**2020**
Balance at 1 January	(9,608)	(9,608)
Net remeasurement of loss allowance	(8,145)	-
Balance at 31 December	**(17,753)**	**(9,608)**

Cash and cash equivalents

The Group held bank balances of AMD 1,127,066 thousand at 31 December 2021 (31 December 2020: AMD 68,518 thousand), which represents its maximum credit exposure on these assets.

The bank balances (current accounts) are held with largest Armenian banks rated Ba3 per Moody's agency and the Group does not expect them to fail to meet their obligations.

Per Group's assessment no impairment loss is recognized on current accounts with banks primarily due to their short maturities.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at 31 December 2021 and 31 December 2020.

31 December 2021

'000 AMD	Carrying amount	Total	On demand	Less than 2 mths	2-12 months	1-2 years	2-5 years	Over 5 years
Financial liabilities								
Secured bank loans	105,500	109,154	-	-	109,154	-	-	-
Bonds issued	13,563,462	28,718,666	-	272,503	1,331,762	1,604,265	8,030,114	17,480,022
Trade and other payables	642,481	642,481	320,313	322,168	-	-	-	-
	14,311,443	**29,470,301**	**320,313**	**594,671**	**1,440,916**	**1,604,265**	**8,030,114**	**17,480,022**

31 December 2020

'000 AMD	Carrying amount	Total	On demand	Less than 2 mths	2-12 months	1-2 years
Financial liabilities						
Secured bank loans	4,480,939	4,605,869	-	667,665	3,832,941	105,263
Unsecured borrowings from shareholders	4,724,526	4,724,526	4,724,526	-	-	-
Unsecured borrowings from other related parties	11,003,419	11,003,419	11,003,419	-	-	-
Trade and other payables	1,404,432	1,404,432	861,229	395,171	148,032	-
	21,613,316	**21,738,246**	**16,589,174**	**1,062,836**	**3,980,973**	**105,263**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Group. The currencies in which these transactions primarily are denominated are U.S. Dollar (USD) and Euro (EUR).

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

'000 AMD	**USD-denominated**	**EUR-denominated**	**USD-denominated**	**EUR-denominated**
	31 December 2021	**31 December 2021**	**31 December 2020**	**31 December 2020**
Trade receivables	-	-	815,183	-
Cash and cash equivalents	504,335	1,280	6,201	-
Trade payables	35	-	-	(22,439)
Loans and borrowings	-	-	(16,921,150)	(298,261)
Bonds issued	(259,306)	-	-	-
Net exposure	**245,064**	**1,280**	**(16,099,766)**	**(320,700)**

The following significant exchange rates have been applied during the year:

in AMD	**Average rate**	**Reporting date spot rate**	
	2021	**31 December 2021**	**31 December 2020**
USD 1	503.19	480.14	522.59
EUR 1	595.17	542.61	641.11

Sensitivity analysis

A reasonably possible strengthening (weakening) of the AMD, as indicated below, against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss before taxes by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

'000 AMD	**Strengthening**	**Weakening**
	Profit or loss	**Profit or (loss)**
31 December 2021		
AMD 10% movement against USD	24,506	(24,506)
AMD 10% movement against EUR	128	(128)
31 December 2020		
AMD 10% movement against USD	1,609,977	(1,609,977)
AMD 10% movement against EUR	32,070	(32,070)

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgement to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Exposure to interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

'000 AMD	**Carrying amount**	
	31 December 2021	**31 December 2020**
Fixed rate instruments		
Financial liabilities	13,668,962	14,392,002
	13,668,962	**14,392,002**

Fixed-rate financial liabilities include fixed rate issued bonds in total amount AMD 13,563,462 thousand and secured bank loans of AMD 105,500 thousand as at 31 December 2021.

As at 31 December 2020 fixed-rate financial liabilities include fixed rate bank loans in total amount AMD 4,480,939 thousand for which the banks have the option to revise the interest rate following the change of key rate set by the Central Bank of Armenia (CBA) and the Group have an option to either accept the revised rate or redeem the loan at par without penalty.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

22. Contingencies

(a) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the results of operations or financial position of the Group.

(c) Taxation contingencies

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

Transfer pricing legislation enacted in the Republic of Armenia starting from 1 January 2020. The legislation is effective for the financial year 2020 and onwards. The local transfer pricing rules are closer to OECD guidelines, but with uncertainty in practical application of tax legislation in certain circumstances.

Transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

Transfer pricing rules apply to the transactions listed below, if the total amount of the controlled transaction exceeds AMD 200 million in the tax year:

- cross-border transactions between related parties;
- cross-border transactions with companies registered in offshore zones, regardless of being related party or not;
- certain in-country transactions between related parties, as determined under the Armenian tax code.

Since there is no practice of applying the transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these consolidated financial statements.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

23. Related parties

(a) Parent and ultimate controlling party

The Group's major shareholders are Moraco Holding Limited (49.35%), Gevorg Harutyunyan (16.52%), Tigran Harutyunyan (16.52%) and Vahan Harutyunyan (16.52%). Moraco Holding Limited does not have publicy available financial statements.

The Group has no ultimate controlling party as at 31 December 2021.

(b) Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the year, which is included in employee benefit expenses (see Note 7):

'000 AMD	**2021**	**2020**
Salaries and bonuses	**51,058**	**35,452**

(ii) Key management personnel transactions

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

'000 AMD	**Transaction value for the year ended 31 December**		**Outstanding balance as at 31 December**	
	2021	**2020**	**2021**	**2020**
Lease of transport vehicle	720	720	270	160

(c) Other related party transactions

'000 AMD	**Transaction value for the year ended 31 December**		**Outstanding balance as at 31 December**	
	2021	**2020**	**2021**	**2020**
Sale of goods and services:				
Entities under common control and related to shareholders	22,812,620	8,836,081	2,245,319	(350,000)
Purchase of goods and services:				
Entities under common control and related to shareholders	(3,694,142)	(1,082,139)	(25,640)	(433,064)
Loans received:				
Shareholders	(4,510,284)	149,500	-	(4,724,526)
Entities under common control and related to shareholders	(10,481,011)	242,830	-	(11,003,419)
Bonds issued				
Shareholders	(10,197,426)	-	(10,197,426)	-
Entities under common control and related to shareholders	(75,141)	-	(75,141)	-

All outstanding balances with related parties and shareholders (except bonds issued) are to be settled in cash within six months of the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

The interest expense in respect of outstanding loans from related parties is of AMD 358,304 thousand (2020: AMD 458,122 thousand). The interest expense in respect of outstanding bonds issued is of AMD 1,284,717 thousand.

24. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except the deemed cost of property, plant and equipment which was measured at fair value as at IFRS transition date of 1 January 2020.

25. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Revenue

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5.

(b) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income and expense are recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognized in profit or loss.

(d) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(e) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of raw materials and spare parts is based on the first-in first-out principle and the cost of finished goods and work in progress is based on weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve as revaluation surplus is transferred to retained earnings.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Since 2021 depreciation of major equipment used in melting process and steel casting process is depreciated using unit of production method. Depreciation on other items is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

- Buildings and structures 50-70 years;
- Flow lines 20-25 years;
- Machinery and equipment 15-25 years;
- Vehicles 3-5 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Investment property

Investment property is initially measured at cost, including transaction costs. Subsequently, investment property is measured at cost less accumulated depreciation and less accumulated impairment losses.

The estimated useful live of investment property is 25 years.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(i) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

The Group classified its financial assets into financial assets at amortised cost category. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogizes to the guidance on derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange). Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms.

Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(j) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(k) Impairment

Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.
The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

26. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements which are not expected to have a significant impact on the Group's consolidated financial statements.

(a) Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group has determined that all contracts existing at 31 December 2021 will be completed before the amendments become effective.

(b) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

(i) Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

At 31 December 2021, the Group has no LIBOR secured bank loans that will be subject to IBOR reform.

(ii) Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

Due to absence of hedge accounting the Group does not expect an effect because of IBOR transition.

(iii) Disclosure

The amendments will require the Group to disclose additional information about the Group's exposure to risks arising from interest rate benchmark reform and related risk management activities.

(iv) Transition

The Group plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2021 or prior periods.

(c) Other standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Covid-19-Related Rent Concessions (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 *Insurance Contracts and amendments* to IFRS 17 *Insurance Contracts*.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).